Audit's NEWS ANALYSIS OF SECURITIES OF REAL ESTATE INVESTMENT TRUSTS

Realty Trust Review

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VALUE GUIDE TO TRUSTS REVIEWED THIS ISSUE

Trust	Port. Yield	-6 Mo.Port.Chng.- Last	E Next	Lever. Ratio	Price	Div. Yield	Div. Reinv.	Page
Conn. Gen. M&R	11.00%	24%	8%	1.31	$16.75	11.1%	No	7
Cousins Mtg.& Eq.	12.77	22	5	1.72	11.25	NE	Yes	4
Equitable Lf. Mtg.	10.51	18	10	0.98	14.13	14.1	No	6
Fidelco Growth	13.52	20	0	2.02	16.00	20.0	No	2
Gulf Mtg. & Rlty.	12.55	21	8	1.45	12.50	15.0	Yes	3
Massmutual Mtg.	10.23	13	0	0.67	12.63	13.6	Yes	4
MONY Mtg. Inv.	11.46	2	-8	1.77	6.00	13.3	Yes	5
Northwestern Mutual	11.21	10	10	1.36	18.88	11.0	Yes	7
State Mutual	11.52	11	0	0.75	9.88	18.2	No	8
AVGS.	11.64%	16%	4%	1.34		14.5%		

These three measures are selected to aid investors. Averages for the measures are shown so each trust may be compared to the average. Portfolio yeild is a general measure of risk to the investor, with highest yield typically the riskiest for mortgage trusts. This connotation does not apply to equity trusts since manner of purchase and lease terms can cause wide variations. Changes in funded portfolio indicate relative dynamism of increases in earning assets, although holdings of equity trusts typically will increase much more slowly than mortgage trusts. Leverage ratio indicates a trust's ability to obtain external non-convertible funds, although recent financings or policy decisions may lower this ratio temporarily. Leverage is the ratio of all non-convertible debt to the trust's capital (equity plus convertibles plus subordinated debt). Ratio above 3.0 are rare and may portend capital financing.

NE-No estimate.

Trusts with dividend reinvestment plans for shareholders are indicated above. Further information is available from the trusts themselves. Statistical summaries for each trust reviewed show the trust's operating record for the four latest quarters, including ranges for share prices and dividend yields. Price ranges are those for calendar quarters. Where calendar quarters and a trust's interim period do not coincide, prices are shown for the calendar quarter covering two months of the trust interim.

LONG-TERM MORTGAGE TRUSTS: SOME RELATIVELY STRONG FUNDAMENTALS

The long-term mortgage trusts reviewed this issue are evolving into true balanced trusts, playing the full range of investments from short-term loans to direct property ownership as yield attraction varies. Seven of the nine trusts reviewed are sponsored by major life insurance companies and most began operations in 1970-71 when long-term mortgage yields and equity kickers peaked. Most initial capital was invested or committed to these long-term deals.

Now the interest rate environment has changed drastically and the 8½% prime rate of 1970 is today's 11% prime. These rising short-term rates, plus unfavorable publicity about REITs,

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FIVE KEY RATIOS

	Loss Res.#	Prob. Inv.#	Exp. Ratio#	Floating Rate Port.	Floating Rate Funds
Conn Gen. M&R	0.37%	None	1.07%	22%	34%
Cousins Mtg. & Eq.	0.50	10.3%	1.66	57	50
Equitable Lf. Mtg.	0.23	None	1.34	23	42
Fidelco Growth	0.16	5.8	1.67	50	67
Gulf Mtg. & Rlty.	0.48	6.6	1.34	59	71
Massmutual Mtg.	0.29	0.9	0.81	20	40
MONY Mtg. Inv.	0.03	0.3	0.90	28	47
Northwestern Mutual	0.13	1.3	0.89	28	34
State Mutual	0.31	2.7	1.51	56	43
	0.28%	3.1%	1.24%	38%	47½%

#Based on gross portfolio.

have raised the yield investors demand to hold REIT shares above the net return on long-term investments. Thus so-called long-term mortgage REITs are generally making nothing but short-term construction and land development loans these days *(Equitable* is an exception) but most are relatively conservative (3%-4% over prime) as befits their insurance company sponsorship. They have had to borrow in short-term money markets to fund these C&D loans but many still carry a legacy of fixed-rate long-term mortgage loans. The net result is that seven of the nine trusts reviewed (all but *Cousins* and *State Mutual*) are out of balance so that total funds floating with money market rates exceed floating loans. This exposes the trusts to narrowing spreads when interest rates rise. In the table above we show percentages of funds and portfolio floating with money rates because this is an important element of final selection.

As might be expected, portfolio problems have been minimal to non-existent for five of the nine trusts and *State Mutual* appears on the way to solving its problems. In effect the five clean trusts substitute longer-term interest rate risks for the problem loan risk which has frightened so many investors. *Equitable Life Mtg.* has the strongest relative value combining high yield and solid portfolio, and is worth buying now. *Gulf Mtg.* has good value but lesser known sponsorship. *Northwestern Mutual Life Mtg.'s* strong fundamentals are recognized. *Cousins Mtg.* and *State Mutual Inv.* are speculative turnarounds.

FIDELCO GROWTH INVESTORS (16---ASE-FGI) FY Nov. 30

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld.range-
5/73	$84.9M	11.97%	12.46%	$0.79	$0.80	$39.50-30.25	10.6- 8.1%
8/73	96.6	12.47	12.90	0.83	0.83	33.38-25.00	13.3-10.0
11/73	106.7	13.21	11.36	0.73	0.72	35.00-19.38	14.9- 8.2
2/74	115.8	13.52	12.92	0.82	0.80	25.50-15.25	21.0-12.6

Portfolio dynamics: In the past six months fundings have increased 20% but management foresees level fundings till its Nov. fiscal year end. Trust has made no new commitments since Dec. 1, 1973 and cannot obtain long-term financing to finance its long-term mtgs. Any new investments will be in the short-term area. The portfolio by loan type is 23% constr. loans without takeout commitment, 16% long-term senior mtg., 14% short-term senior mtg., 11% land devel., 10% long-term wrap-around, 7% each long-term junior and constr. loans with takeout, 4% undeveloped land loans, 3% each land purchase-leasebacks and short-term wraparound, 1% each junior constr. and mtg. Investment by project type are 33% condominiums, 18% apartments, 15% developed land, 10% hotels & motels, 6½% mobile home parks, 4% office buildings, 4% other, 4% industrial facilities, 3% shopping centers, 3% undeveloped land. Investments are located in 15 states, Wash. D.C., P.R. and the Virgin Is. with concentration in Pa. and Fla. Some 75% of short term loans (50% of all loans) are tied to prime; usury limits are minimal. Trust has five problem loans amounting to $6.71M, 5.8% of portfolio. One loan for $730T is in foreclosure and once trust obtains title it has a buyer waiting. The loan is a constr. and permanent loan on a mobile home park in N.Y. (near Westchester) and the new buyer will receive the original borrower's terms. Trust has a $550T loan on a condominium in Fla. which is being foreclosed by the second mortgagee. Trust feels it will come out whole on this loan. Another problem loan for $550T is a constr. and land purchase leaseback on a proposed apartment project in Philadelphia. Work has not begun but trust feels the property value is sound. A loan for $2.50M on a motel in Fla. is in litigation but trust expects settlement in its favor. A loan for $2.31M on a completed condominium project in Fla. is unpaid but borrower is negotiating a sale. Financing: Trust is funded 33% by capital and 67% by non-convertible debt.Capital of $40.6M is all equity with 1.58M shares. Debt of $82.2M is 43% in revolving credit at ¼% over prime during 1974, 35% in bank loans, 22% in commercial paper. Thus 67% of total funds vary with money rates while only 50% of the portfolio varies.

Commercial paper is backed by a letter of credit agreement for $20M and trust reports paper sales going well. The $20M letter of credit can be converted into a revolving credit agreement. No public offering expected due to poor market conditions. Trust is attempting to expand bank lines but present money market conditions has made this difficult. Sponsor: Fidelcor Inc. whose subsidiaries include The Fidelity Bank of Phila. and Latimer & Buck, Inc. mortgage banker. Trefoil Capital Corp., a wholly owned subsidiary of Fidelcor, owns 78,300 shares or 5.0% of the trust's shares outstanding. Results & outlook: Gains in fundings and portfolio yield counteracted high interest rates and problem loans, increasing results for the Feb. qtr. With level fundings predicted for the next 9 months and continued high interest rates, earnings and dividends will be level at best. Problem loans appear manageable but will take time to work out. Shares well below book value may have some near term vulnerability. New commitments in risk accounts only. Present holders may hold for longer-term recovery. (VCK)

GULF MORTGAGE AND REALTY INVESTMENTS (12½--NYSE-GMR) FY Feb. 28/29

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld. range-
5/73	$111.2M	11.72%	10.75%	$0.53	$0.44	$19.50-15.88	$11.1- 9.0%
8/73	109.8	11.39	9.88	0.47	0.46	18.00-15.50	11.9-10.2
11/73	123.0	12.09	9.93	0.48	0.47	18.75-11.63	16.2-10.0
2/74	132.9	12.55	9.85	0.47	0.47	16.13-11.25	16.7-11.7

Portfolio dynamics: Fundings in the past six months increased 21% and management expects portfolio to reach about $144M by Aug., up 8%. Virtually all new investments will be short-term; no new long-term is seen. The present portfolio is 33% long-term, 27% constr., 14% land devel., 11% standing, 7% land, 6% rental property and 2% real estate owned (mainly properties acquired through foreclosure). Investments by type of property are 35% apartments, 17% motels/motor inns, 14% land devel., 8% land , 7% warehouses, 6% stores/shopping centers, 3% condominiums, 2% each mobile home parks and office buildings, 3% restaurants, and 1% each hospitals, golf courses/clubs, recreational development. Investments are located in 20 states, P.R. and the Virgin Islands with concentration in Fla. (25%) and Ga. (18%). All short-term loans (59% of portfolio) are tied to prime. Trust holds 2 properties amounting to $2.39M acquired through foreclosure. One property of $1.42M consists of 169.94 acres of land in Atlanta, Ga., with no loss expected upon sale. The other property for $968T is a 73-unit apartment in Oklahoma City, Okla. No loss is anticipated here. Two loans totaling $3.75M are in foreclosure process. One for $3.25M is a 25% participation in a 624-unit apartment complex in Marina Del Rey, Calif. The borrower, Urbanetics Financial Corp., filed bankruptcy under Chapter XI Jan. 11, 1974. The lead lender is Amer. Century Mtg. Inv. The trust states that a buyer has been found but the court has not yet released the property. The other loan in foreclosure is a $500T second mortgage on a 466-unit hotel in Daytona Beach, Fla. No loss is expected on this loan. A $2.60M loan delinquent as to interest is on a 192-unit apartment building in Shreveport, La. The complex has been sold to a new buyer and trust expects to start recognizing interest in June. Total problem loans and acquired property of $8.74M are 6.6% of the Feb. portfolio. Financing: Trust is funded 59% by non-convertible debt and 41% by capital. Capital of $59.9M is 67% in equity with 2.21M shares and 33% in 7.7% senior subordinated notes (usable at par to exercise warrants to purchase shares at $20). Total debt of $86.8M is 69% short-term bank notes, 23% bank term notes, 6% mtg. and 2% commercial paper. Overall 71% of funds float with prime while only 59% of loans float. Trust does not plan public financing in next six months but will increase bank lines (which now amount to $101M) and work for private placement of debt or perhaps preferred stock. Sponsor: Trust adviser is wholly-owned by Gulf Life Holding Co. Results & outlook: Despite being able to increase portfolio yield steadily over the past six months, high interest costs held earnings and dividends level. Trust management appears to possess ability to work out of problem loans although new emphasis on short-term lending veers from sponsor's skills in long-term lending. Time needed for problem loan cure may hurt earnings moderately near-term. Continued high interest rates will also moderate earnings and dividend results. With fairly low 1.45 leverage ratio, trust is expected to be able to continue to increase fundings moderately. New commitments: shares selling about 40% below book value have longer-term recovery potential. Present holders: shares may be held. (VCK)

COUSINS MORTGAGE AND EQUITY INVESTMENTS (11¼--NYSE-CUZ) FY Aug. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld range-
5/73	$184.6M	11.55%	11.15%	$0.59	$0.59	$27.25-24.13	9.8- 8.7%
8/73	233.1	12.44	11.62	0.61	0.61	27.00-23.75	10.3- 9.0
11/73	263.5	13.01	11.81	0.62	0.62	28.38-19.63	12.6- 8.7
2/74	284.1	12.77	11.83	0.63	0.63	23.75-18.38	13.7-10.6

Portfolio dynamics: Fundings increased 22% the past six months and the present portfolio is 46% short-term, 31% long-term, 13% intermediate and 10% combination constr. and permanent. The portfolio by property type is 32% apartments, 19% land & land devel., 17% hotels and motels, 16% condominiums, 9% other, 6% office buildings, and 1% shopping centers. Investments are located 64% Southeast, 19½% Southwest, 6½% East, 5% West, 4% Midwest, 1% Northwest, with some 70% in Fla., Ga. and Tex. About 57% of all investments are tied to the higher of prime or the commercial paper rate. Management sees very modest portfolio growth in the next six months due to difficulty of obtaining financing to fund new commitments. Any new fundings will be in the short-term area with concentration in multi-family housing. A broader spectrum of investments is contemplated once commitment and fundings pick up. Trust recently announced it is not recognizing interest on 18 loans amounting to $28.2M, or 9.9% of the Feb. portfolio. Trust also has $973T real estate acquired thru foreclosure, bringing total non-earning assets to 10.3% of the Feb. portfolio. Of the 18 loans, two loans for $1.9M are land loans located in Houston, Tex. Twelve loans aggregating $19.1M are construction and development loans, including two amounting to $2.3M to Pacific Western Mobile Homes, which recently filed under Chapter XI. The loans are on two uncompleted mobile home parks. The other four loans aggregating $7.3M are permanent loans. Three are on motels located in Ga., Ala. and Fla. whose occupancy has suffered due to the energy crises; the fourth is on an office building in Oklahoma City which the borrower is planning to sell. Management expects that all loans can be worked out with little loss to the trust. Financing: Trust is funded 37% by capital and 63% by non-convertible debt. Capital of $111.8M is 73% in equity with 3.85M shares and 27% in 6.5% subordinated debentures. Debt of $192.8M is 45% short-term bank loans, 29% commercial paper, 21% bank term loan and 5% variable interest note (from the Ford Foundation). Trust is presently negotiating a $20M subordinated debenture private placement and hopes to close by late May. Trust's commercial paper sales have been down lately due to the poor market for REIT paper. Trust has just drawn down a $30M Eurodollar standby loan. Sponsor: Cousins Properties Inc., a diversified real estate company. Results & outlook: Despite higher interest cost and slight decline in portfolio yield, trust was able to increase earnings and dividends modestly in the February quarter. The next six month outlook is clouded by the significant amount of problem loans and the slowing of new funding. Interest from the 18 problem loans amounts to about $900T, or about $0.23 per share per quarter. This amount is not necessarily the amount by which May qtr. earnings and dividends will be down because loans can be brought current or sold, but represents the largest potential loss. Much now rests on the indicated ability of trust management to work out of its problem situations. Shares have already reflected the problem loans in their recent sharp decline. Shares offer longer-term potential for those willing to wait out this adverse period for all REIT shares.

(VCK)

MASSMUTUAL MORTGAGE AND REALTY INVESTORS (12 5/8--NYSE-MML) FY Oct. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld. range-
4/73	$224.6M	9.55%	8.66%	$0.51	$0.50	$26.38-23.38	8.6-7.1%
7/73	242.5	9.61	8.22	0.47	0.46	25.75-20.00	9.2-7.2
10/73	278.4	10.26	8.29	0.48	0.48	24.25-16.88	11.4-7.9
1/74	273.9	10.23	7.80	0.43	0.43	20.75-13.25	13.0-8.3

Portfolio dynamics: In the past six months, portfolio grew by 13% and according to management portfolio growth in the next six months will be static. This leveling in portfolio growth rate will be due to repayments of short-term loans, which will not be replaced, and a lower rate of new long-term fundings. Long-term loans will experience no growth because trust has been unable to obtain additional long-term financing at suitable rates. (Trust recently withdrew a proposed $40 million offering of senior notes.)

The present portfolio is 68% long-term and 32% short-term. The long-term loans, by project type, are 43% shopping centers, 34% apartments, 8% each office buildings and industrial and 7% hotel/motel. The short-term loans, by project type, are 35% shopping centers, 18% each apartments and land development, 16% office buildings, 8% land and other and 5% hotel/motel. Investments are located in 36 states and P.R. with concentration in Tex. (13%) and N.Y. (10%). About 63% of short-term loans and 20% of all loans float with the prime rate. Trust has one problem loan of $2.5M, or 0.9% of the portfolio. The loan is a long-term first mtg. on a 180-unit apartment building outside Minneapolis, Minn. The apartments are about 90% occupied but the borrower is having financial difficulties. Trust has begun foreclosure proceedings on the property and does not foresee any loss of principal on the loan since property value exceeds trust investment. Financing: Trust is funded 60% by capital and 40% by non-convertible debt. Total capital of $170.1M is 53% in equity with 4.67M shares and 47% in three different convertible subordinated debenture issues. Debt of $114.0M is 35% in revolving credit notes floating with prime, 34% in bank notes and 31% in commercial paper. Thus 40% of total funds float with the money market. Outstanding commercial paper has dropped lately to about $20M (from $33M last fall) but bank lines have been increased more than the drop. Bank lines presently amount to $99M (including the $40M revolving credit). A $40 million public senior note offering has been dropped and trust has not succeeded in an alternate private placement because of high rates. Sponsor: Massachusetts Mutual Life Insurance Co., one of the 10 largest in U.S. Trust on Nov. 1, 1973 changed its advisor fee to 17½% of net income before the fee rather than the former percentage of average invested assets (see RTR, Mar. 11, 1974). Results & outlook: The moderate gain in fundings and portfolio yield, a lack of significant problem loans and a lower advisory fee could not overcome the high interest charges prevailing, producing the drop in latest reported earnings and dividends. Results for the April quarter are not available but the high interest rates should limit results in view of imbalance (40% of funds vs. 20% of portfolio floating with money market) in trust capitalization. Superiority of trust underwriting skills is demonstrated by the lack of major problem loans. Earnings and dividends will continue to be under pressure as a result of the high interest rates. Shares are a buy for the longer-term if interest rates decline. (VCK)

MONY MORTGAGE INVESTORS (6----NYSE-MYM) FY May 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld range-
5/73	$255.0M	9.86%	9.53%	$0.23	$0.25	$13.25-11.13	9.0-7.6%
8/73	248.5	10.88	9.05	0.21	0.22*	12.13-10.00	9.0-7.4
11/73	248.1	11.12	7.63	0.19	0.20	11.25- 6.13	13.1-7.1
2/74	253.9	11.46	9.08	0.21	0.20	8.88- 6.63	12.1-9.0

*Excl. special div. of $.005.

Portfolio dynamics: The portfolio which increased 2% in the past six months was 42% long-term, 39% constr. & short-term, 11% real estate & real estate acquired thru foreclosure (0.3%) and 8% second mtg. By type, the short-term portion was 32% apartments, 26% office buildings, 17% second mtg., 11% shopping centers, 4% each hotel/motel and land and 3% each industrial and other. These were located in 22 states with concentrations in Calif., Md., N.C. and Fla. Long-term investments by project type were 43% office building, 27% shopping center, 24% apartments, 5% industrial and 1% other. These investments were located in 24 states with concentrations in Calif., N.J. and N.Y. Of total funded short-term investments some 60% currently are floating with prime or commercial paper (or 28% of portfolio). Trust projections indicate fundings will be down in the next six months as repayments exceed new fundings. New fundings mainly will be in the short-term area. Trust has no problem loans other than one property acquired through foreclosure. The property is a 50% interest in an apartment project in Cary, N.C., in which investment is $730T, or 0.3% of the portfolio. The project contains 154 garden apartments, of which 44 units are completed and 34 rented and occupied. Project is now being completed and trust plans to liquidate the property by this summer with no loss of principal expected. Another undisclosed trust has the other 50%. Financing: Trust is funded 36% by capital and 64% by non-convertible debt. Capital of $94.6M is 91% in equity with 8.82M shares

and 9% in 7% convertible subordinated debentures. Debt of $167.2M is 74% in commercial paper and bank loans,15% in a 7½% bank term loan and 11% in mtg. Thus some 47% of total funds float with market rates. Trust's commercial paper sales have been down lately and bank lines are being used more. Management states that bank lines of $150M are sufficient to fund new investments. Sponsor: Mutual of New York, one of the larger life co. Effective Mar. 1, 1974 the trust adopted a new advisory fee of 16% of net income before the fee instead of the previous percentage of invested assets. Results & outlook: Trust has increased portfolio yield steadily due to more loans tied to market rates. This upward trend should continue as more floating short-term investments are added. However, a squeeze on spread still persist as only 28% of portfolio floats while 47% of funds float. The capability and conservatism of management is shown by low level of problem loans. Continued high interest rates will keep results under pressure. Shares at 30% below book value have long-term recovery if and when interest rates recede but offer only fair relative value. (VCK)

EQUITABLE LIFE MTG. & REALTY INVESTORS (14 1/8--EQ-NYSE) FY Oct. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Div.Yield-
7/73	$235.0M	10.25	9.12	$0.55	$0.54	$27.00-22.63	9.54-8.00%
10/73	264.7	9.99	7.97	0.49	0.56	26.75-21.88	10.24-8.37
1/74	282.6	10.51	8.09	0.49	0.50	26.50-20.13	9.94-7.55
E4/74	312.0	NA	NA	NR	0.50	22.63-18.25	10.96-8.84

Portfolio dynamics: Fundings rose 18% over the past six months, with short-term mortgages up about 52% while long-term mortgages were unchanged and property showed a modest $2M gain. The trust is still making short-term construction loan commitments, at about 3% over prime and all with takeouts. Total fundings should rise about 10% to about $345-$350 million over the next six months. April quarter holdings were 53% long-term, 43½% short-term construction, 3½% property. Short-term loans should exceed long-term loans by fiscal year-end Nov. 30. Nearly all new commitments are tied to the prime rate but only about 50-55% of current short-term fundings, or about 23% of total holdings, float with the prime rate. A good proportion of long-term mtgs. contain rent overages or other equity kickers but the net effect of the portfolio structure has been that portfolio yield has not risen with the prime rate. Trust invests primarily in major standard income properties and long-term mtgs. are approximately 33% shopping centers, 19% office buildings, 14% apartments, 8% department stores, 8% hotels and 6% industrial. Short-term loans are 60% construction loans, 33½% land and land development, 6% term or standing loans, and ½% second mtgs. At April 30 no loans were over 30 days delinquent. Trust foreclosed one long-term mtg. on an apartment in Richardson, Tex. in 1973 but has just sold the property for a gain. The apartments earned income during holding so earnings were never hurt. Financing: Total funds available to the trust are 50½% capital and 49½% non-convertible debt, producing a leverage ratio of 0.98. The trust has no leverage ratio limits in its declaration or borrowing agreements. Capital of $141.4M is nearly all equity with 5.60M shares outstanding. Conversion of 6.75% convertibles would add only 240,000 shares and no warrants are out. Non-convertible debt of $138.7M is 57% commercial paper, 28½% variable-rate bank loans under term notes, and 14½% fixed-rate term loans. Thus about 42% of total funds and only 23% of portfolio float with the prime rate, an imbalance which has caused declining spreads. Commercial paper, rated P-1 by Moody's, continues to be sold and amount outstanding rose slightly during April quarter. EQ has financed fundings through a series of term notes to banks, varying from 90-days to two-years in term, with nearly all recent notes floating with prime. Such financing continues to be available. Some short-term debt may be refunded into longer-term capital if market conditions permit over the next six months. Adviser: The Equitable Life Assurance Society, third largest U.S. life company. Investments are originated through Equitable's 34 offices. Results & outlook: Trust follows a balanced investment role, stressing most profitable investments, hence is now adding short-term investments. Recent quarterly results have been depressed slightly by narrowing spreads and imbalance between floating rate sections of portfolio and funds. Loan underwriting and administration are in hands of seasoned, conservative pros. Shares yielding 13.3% on current price offer sound relative value for the interest rate risk assumed. KDC)

NORTHWESTERN MUTUAL LIFE MORTGAGE AND REALTY INVESTORS (18 7/8--NYSE-NML) FY Mar. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld range-
6/73	$197.2M	10.14%	10.01%	$0.48	$0.48	$25.00-22.38	8.6-7.7%
9/73	202.9	11.22	10.23	0.50	0.49	25.38-21.13	9.3-7.7
12/73	216.0	11.26	10.55	0.51	0.51	26.88-21.13	9.7-7.6
3/74	222.6	11.21	11.12	0.54	0.52	24.50-18.13	11.5-8.5

Portfolio dynamics: The current portfolio, up 10% over the past six months, was 52% permanent, 41% short-term and 7% real estate. Permanent loans by project type were 29% offices, 28% shopping centers & other retail, 19% apartments, 12% industrial, 7% hotels and motels, 5% other. Short-term loans by project type were 32% apartments, 29% other, 11% each shopping centers & other retail and offices, 10% industrial and 7% hotels and motels. Real estate by project type was 32% apartments, 27% industrial, 20% shopping centers & other retail, 17% offices, and 4% hotel and motels. Investment concentration is largest in Calif. (18%) and Fla. (15%). Management estimates the portfolio will reach $275M by Mar.'75, a 24% gain in the next twelve months. The mix of the portfolio will remain about the same. Some 56% of short-term loans float with prime while 12% of short-term loans float with commercial paper. Some 52% of permanent loans carry a bonus interest feature generally tied to gross property rentals. In effect 28% of the total portfolio floats with market rates. Trust has three loans for $2.9M or 1.3% of portfolio, on which it is not recognizing interest. One $1.2M loan is on land in Calif. Building of Phase II of garden apartments on this land has been held up by a local building moratorium. Trust feels the property value is enough to permit eventual recovery. A second problem loan for $530T is a participation on a constr. loan for apartments outside Denver, Colo. The borrowers have encountered financial difficulties and so trust and participant (a mtg. co.) have foreclosed. Management feels interest may be lost in this loan. The last problem loan is a $1.1M constr. loan on an office building near Santa Monica, Calif. The borrower again had financial difficulties and cost overruns. The building is complete except for tenant improvements. There are offers to purchase the building. Total interest not recognized for these loans amounts to $75T per quarter, or about $0.015 per share. Financing: Trust is funded 42% by capital and 58% by nonconvertible debt. Capital of $95.3M is 97% in equity with 4.75M shares and 3% in 6% convertible subordinate debentures. Debt of $130.1M is 39% in a 10-year term loan, 38% in commercial paper, 11% in a variable demand note, 10% in short-term bank notes and 2% in mtgs. Of total fundings some 34% float with market rates. Sale of commercial paper has only been down slightly. It is sold through Goldman Sachs with Moody's P-1 rating. Trust has been increasing its bank lines and holds about $40M in unused bank lines. Management feels that it has sufficient financing to fund commitments till Dec. Sponsor: The Northwestern Mutual Life Insurance Co., one of the larger U.S. life co. Results & outlook: The steady gains in portfolio and portfolio yield plus absence of significant problem loans enabled higher earnings despite record interest rates. Present problem loans appear manageable. The spread between funds floating and portfolio floating is only slightly negative so margins will not be badly squeezed during current high interest rates. New growth in fundings will be totally in short-term area. Portfolio yeild should rise further. Trust shares,one of the few selling above book value, represent a solid relative value.

(VCK)

CONNECTICUT GENERAL MORTGAGE AND REALTY INVESTMENTS (16 3/4--NYSE-CGM) FY Mar. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld. range-
6/73	$313.7M	9.70%	8.01%	$0.42	$0.44	$26.50-19.25	9.1-6.6%
9/73	348.0	10.50	7.85	0.40	0.44	24.00-18.00	9.8-7.3
12/73	397.6	10.79	8.13	0.44	0.44	23.13-16.25	10.8-7.6
3/74	431.6	11.00	8.50	0.45	0.44	20.25-16.38	10.7-8.7

Portfolio dynamics: The portfolio experienced a 24% gain in the last two qtrs. The latest portfolio is 39% long-term, 30% constr. & devel., 14% short-term, 11% real estate, 4% land leased to others and 2% partnerships. Long-term portfolio by project type is 51% retail, 28% residential, 10% office buildings, 9% GNMA's and 2% industrial, hotel & other. Real estate by project type is 41% residential, 34% retail and 25% industrial & other.

Project type for land leased to others is 42% retail, 40% residential, 11% office buildings and 7% industrial, hotel & other. The majority of partnership projects are residential. Investment concentration is in Calif. and Hawaii (28%) and the Southeast (Va., Ga., Fla.) with 26%. About 50% of short-term loans float with market rates, thus 22% of total portfolio floats with the market rates. Management expects modest growth in the short-term and long-term portions in the next six months and portfolio mix will not change. Trust reports it has no loans on which it has stopped recognizing interest nor does it hold any foreclosed property. Financing: Trust is funded 43% by capital and 57% by non-convertible debt. Total capital of $189.1M is 59% in equity with 5.67M avg. shares outstanding and 41% in 2 convertible subordinated debenture issues. Debt of $247.6M is 34% commercial paper, 27% short-term bank notes, 30% long-term bank notes (although these float at 115-120% above prime the average maximum interest rate is 8% and trust receives a refund at year end of any amount above this rate) and 9% mtgs. Trust has had no difficulty selling its commercial paper which has a Moody's "P-1" rating and is sold through First Boston. Trust has $148M in bank lines with 18 banks. Management has not had difficulty increasing bank lines and will use the lines throughout the year to fund new investments. Some 34% of total capital floats with market rates. Sponsor: Connecticut General Insurance, one of the ten largest life insurance cos. Effective April 1, 1974 the trust changed the advisory fee to 0.75% on short-term investments, 0.5% on the first $150M of long-term investments, and 0.25% thereafter. A revised performance fee will give the adviser 20% of a defined share of annual net income between 8-10% of shareholder's equity and 25% thereafter. Results & outlook: Lack of problem loans, a good gain in fundings and steady increases in portfolio yield (due to gradually increasing amounts of loans tied to market rates) enabled trust to increase earnings. Earning squeeze from high interest rates should diminish as loan tied to market rates increase. Shares selling at about 25% below book value offer some appreciation potential but moderate relative value. (VCK)

STATE MUTUAL INVESTORS (9 7/8--NYSE-SMU) FY Mar. 31

Quar.	Port.	Port.Yld.	Cap.Ret.	EPS Prim.	Div.	-Price range-	-Yld. range-
6/73	$113.5M	11.86%	11.87%	$0.61	$0.62	$25.75-21.38	11.60- 9.63%
9/73	122.9	12.59	10.99	0.55	0.55	24.75-19.75	11.14- 8.89
12/73	127.3	12.22	8.73	0.43	0.45	22.00-11.88	15.15- 8.18
3/74	135.8	11.52	8.13	0.40	0.45	16.13- 9.75	18.46-11.16

Portfolio dynamics: Holdings rose 10½% the past six months. The trust is not making new commitments and portfolio will remain essentially unchanged through December. Trust is actively seeking to reduce funding exposure to about $6M on any individual loan. Present holdings are 29% long-term mtg., 27% construction mtg., 13% development loans, 11% standing loans, 17% land loans, and 2% real estate acquired through foreclosure. About 10½% of holdings are second mtg. Nearly all short-term loans float with prime, or about 56% of total loans. During March qtr. five problem loans (primarily in Alabama and Texas) for $8.06M were sold and have resumed producing income. Another loan for $2.85M was refinanced. This left SMU with $3.69M of problem investments (or 2.7% of total) at the end of March whose lost income amounts to about 4½-cents per share a quarter. One is a $988T California land loan, originally to U.S. Financial, to be sold once the USF bankruptcy court approves. Another is an apartment in DeKalb County (Atlanta), Ga. Financing: Total trust funds of $144.15M are 57% capital and 43% non-convertible debt, the resulting 0.75-1 leverage ratio to capital among the group's lowest. Capital funds include $25.0M of subordinate debt, sold last November, and $3.18M convertibles, and $54.5M equity. Non convertible senior debt of $61.5M is 26% commercial paper, 34% short-term bank loans, and 40% floating-rate revolving and term debt. Thus only 43% of total funds float with prime. Commercial paper has dried to almost nothing in recent weeks (vs. a high of $22M). Moody's P-2 rating is retained. Sponsor: State Mutual Life Insurance, through a subsidiary. Result & outlook: Slightly declining spreads and a high level of non-earning assets hurt December and March quarter results. Resumption of income from problem loans and favorable balance of floating rate loans over funds indicate bottom of earnings decline may have been seen, barring new problem loans. Shares have sound relative value mainly for speculative yield. Financing pressures and uncertain status of portfolio make investment commitments premature. (KDC)